RESTRICTED

SOUTH AMERICAN BENCHMARK PROJECT

APRIL 19, 1991

BROWN & WILLIAMSON TOBACCO CORPORATION

500026677

SOUTH AMERICAN
BENCHMARK PROJECT

TABLE OF CONTENTS

500026678

SOUTH AMERICAN BENCHMARK
EXECUTIVE SUMMARY

B.A.T GROUP PERSPECTIVE

B.A.T Industries/BATCO operate companies in five markets that account for approximately 72% of the total population of South America. Brown & Williamson competes with significant exports in two additional markets that account for about 7% of the continent's population. In total, Group operations cover nearly 80% of South America. The more significant countries that the Group is not doing business in are Ecuador, Bolivia, Peru and Uruguay.

B.A.T Group's strategic thrust historically has been to build upon the market share strength of its local companies and their brands. In the mid to late 1980's, increased emphasis has been placed upon development of B&W's USIB brand portfolio through exports.

PHILIP MORRIS (PM)

Overview

Philip Morris operates companies in Argentina, Brazil, Ecuador, Venezuela and Uruguay which account for 72% of the total population. Additionally, Philip Morris International (PMI) has licensees in Bolivia and Chile and exports product into Colombia and Paraguay covering substantially all of South America's population.

Tobacco Strategy

PM views International tobacco as a major growth opportunity, perhaps an even stronger opportunity for growth than through food acquisitions. They recently appointed Geoffrey Bible, President - Chief Administrative Officer of Kraft General Foods, to the new post of Executive Vice President-International to oversee both the International tobacco and food businesses.

PMI's strategic thrust in South America has been to invest in development of USIB brands, primarily Marlboro. Over the last several years, PMI's level of marketing and support in South America has continued to increase significantly. For example, in Paraguay, PMI quadrupled its marketing investment over the last four years, increasing spend from $500,000 in 1986 to an estimated $2 million in 1990. PMI's intent appears to target South America as an area of longer term opportunity (e.g., estimated 3-5 years) with a current operating strategy to invest heavily behind Marlboro (i.e., particularly while electronic media is available), to achieve USIB leadership despite temporary losses in some markets.

Supporting this view, PM's 1990 annual report states:

- "Marlboro is growing throughout Latin America, and now accounts for 7% of all cigarette sales in this region."
- "In Latin America, volume grew by more than 17%. We are well positioned to profit further from our large and growing volume base in Latin America when the local economies improve."

500026679

South America's estimated tobacco operating profit is not significant to PM at this time. In 1990, it represented about 5% of total International tobacco operating profit. Total International tobacco operating profit is about 25% of PM's 1990 tobacco operating profit of $5.6 billion.

PM's executives' statements and annual reports clearly indicate International expansion is built upon Marlboro/Marlboro Lights volume growth which "has been a springboard for expansion" globally. Thus, PMI's overall strategy for International market share leadership longer term is built on Marlboro, as world markets open and USIB segment growth continues to accelerate.

South American Activities

Marlboro is the leading USIB in Argentina, Brazil, Colombia, Ecuador, Uruguay and Venezuela. These markets account for approximately 80% of South America's population. It should be noted that Marlboro's share of the U.S. segment ranges from a few percentage points in some markets (e.g., Chile) to as much as nearly 80% (e.g., Colombia). Further, in all markets, the U.S. segment is growing.

Analysts at The NatWest Investment Banking Group reported for 1990, PMI's South American business is estimated to be "about 75 million units, or 20% of PM's non-U.S. sales. Because of hyper-inflation and currency devaluations, Philip Morris uses cash accounting for the earnings from Latin America. Thus, the $70 million of earnings that flow to the P&L have a major amount of discretionary windage and are probably significantly understated."

In 1990, PMI made a major investment to strengthen its position in Brazil. RJR sold its tobacco and cigarette operations in March 1990 to Dibrell Brothers for $50 million. Dibrell, in turn, sold the local brands to Philip Morris. This gives Philip Morris 17% of the domestic market.

Further evidence of PMI's longterm view of South America is its management reorganization in this area. The V.P. for Latin America, is now based in Argentina following a promotion based on performance by Massalin which captured 43% of the Argentina market. Reports indicate other key positions in the region also have been filled with veterans from Massalin. While Japan, China, Russia and Eastern Europe are likely to get the highest levels of PM's attention from an International tobacco perspective, it would appear that South America will also be a major focus for growth.

R. J. REYNOLDS INTERNATIONAL

Overview

RJR does not operate companies in South America. However, RJR exports to Paraguay and has a licensee in Peru.

Strategy and Activities

During 1990, RJR sold its unprofitable Brazilian operation. This fact combined with the LBO's financial constraints and RJR's slipping domestic share have resulted in less total support for the International tobacco business. RJR's International efforts under KKR's management appear much more tightly focused than previously. Investments are prioritized into markets that can increase returns more substantially near term. Secondarily, RJR's investment posture appears to be concentrated in Europe, Far East, China and East Block/Russia where the company has existing market strength, the USIB market is growing/profitable, or long-term potential is large. RJR, like PM, is estimated to use its International food business to strengthen strategic ties/opportunities for tobacco, particularly in China and East Block/Russia. Thus, overall, RJR remains a significant International competitor; however, shorter term investment in South America does not appear to be a high priority.

FUTURE SOUTH AMERICAN MARKET OPPORTUNITIES

Recent developments in the world have rapidly accelerated the movement toward market liberalization in South America. The economic restructuring programs in Argentina, Brazil, and Peru, the liberalization in Colombia and Venezuela and efforts to develop trade in other markets will have a profound impact on the cigarette business.

A common market alliance is taking shape in the southern cone that will likely open these large markets to significant export opportunities. Argentina, Brazil, Paraguay and Uruguay have formed an organization called MERCOSUR, (Mercado Comum or Common Market). Chile is reported to be debating whether or not to join the group.

For example, assuming Argentina is PM's anchor operation, by 1993, Marlboro could be exported to Chile by Massalin without incurring high import duties. This would strengthen PMI in Chile compared to the current situation with a small and uncompetitive licensee.

Import barriers are also being dismantled unilaterally in Argentina, Brazil, Colombia and Venezuela, with others likely to follow. This will open these markets to export potential from the U.S., and further stimulate growth in the USIB segment.

In summary, PM appears to be positioned as a serious threat to the B.A.T Group's leadership position long-term in South America and a coordinated, aggressive approach to this region should be taken. With the growth of USIB, a major element of Group strategy for this region must be to deploy U.S. brands with sufficient support in all markets in which the Group has an operating company as soon as possible.

INTRODUCTION

B&W's South American Benchmark information was collected from several sources.

For Colombia and Paraguay, information was obtained from B&W's International corporate and regional personnel and ERC. This information represents our current experience in these markets.

For non-B.A.T/BATCO/BW operating countries, information was extracted as follows:

- ERC Statistics International Limited, London, England; The World Cigarette Market - The 1990 Survey (11/90) for Peru and Uruguay.

- Tobacco Merchants Association (TMA), Princeton, NJ; International Tobacco Guide, Volume IIC (1990), for Bolivia, Ecuador and Guyana.

Exerpted information was collected by ERC and TMA from various U.S. trade/government records and from government agencies of the individual countries. Note: All information is not available for all countries.

SOUTH AMERICAN
CIGARETTE CONSUMPTION SUMMARY

All figures are in millions of pieces. Source: TMA and ERC.

Market	Year	Production	Imports	Exports from US (1)	Exports	Consumption
Argentina	88	34267	6	25	5	34268
	89	33540	150	31	6	33684
Bolivia	88	1200	0	0	0	1200
	89	1200	0	0	0	1200
Brazil	88	157900	0	35	0	157900
	89	162700	0	33	0	162700
Chile	88	9353	63	288	0	9416
	89	9930	68	421	0	9998
Colombia (3)	88	27000	5000	58	190	31810
	89	27200	5800	229	150	32850
Ecuador	88	4600	0	0	100	4500
	89	4600	0	1	100	4500
Guyana	88	600	0	2	0	600
	89	600	0	12	0	600
Paraguay	88	2730	1394	811	1255	2869
	89	2700	1245	862	1120	2825
Peru	88	4200	0	0	0	4200
	89	4200	0	2	0	4200
Suriname	88	380	10	0	0	390
	89	380	10	0	0	390
Uruguay	88	3900	40	47	2	3938
	89	3900	40	61	2	3938
Venezuela	88	18824	0	13	1700	17124
	89	18035	0	20	3570	14465
Total	88	264954	6513	1279	3252	268215
Total	89	268985	7313	1672	4948	271350

NOTES:

(1) When US exports are found to be greater than a particular country's total imports, TMA assumes that US exports as reported by the US Department of Commerce are either duty-free or re-exports and therefore do not enter into domestic consumption calculations.

(2) Exports for 1990 were reported to be 2,242.

(3) ERC 1990 information used to estimate Colombia because it appears to more accurately represent the market.

500026683

U.S. EXPORTS - CIGARETTES
SOURCE: TMA TOBACCO TRADE BAROMETER
U.S. DEPT. OF COMMERCE REPORTS

EXPORT MARKET	US EXPORT (1) CIGARETTES (MM'S) 1990	1989	1988	EXPORT VALUE ($ 000's U.S.) 1990	1989	1988
ARGENTINA	46.7	31.1	25.0	$1,310.0	$ 710.5	$ 638.8
BOLIVIA	0	.1	0	0	2.1	0
BRAZIL	30.6	32.6	34.7	884.4	733.4	822.1
CHILE	582.3	420.9	287.5	13,527.5	8,864.1	6,570.9
COLOMBIA (3)	292.9	229.1	58.4	6,114.2	4,316.0	1,304.1
ECUADOR	1.4	1.0	.2	36.7	21.8	6.1
GUYANA	11.6	12.2	2.0	383.4	363.2	51.3
PARAGUAY	1,158.9	861.8	810.5	27,964.5	18,992.2	17,836.2
PERU	19.4	2.0	.4	416.3	59.9	10.8
URUGUAY	69.6	60.9	46.9	1,838.0	1,298.1	1,143.1
VENEZUELA	28.4	20.2	13.2	616.2	383.3	263.9
TOTAL	2,241.9	1,672.0	1,278.9	53,091.1	35,744.5	28,647.3

NOTES:

Reference previous page

500026684

COLOMBIA

SOUTH AMERICAN BENCHMARK

COUNTRY COLOMBIA

GENERAL REMARKS - Due to the significant parallel market that exists in Colombia, the ability to quantify the import and overall market situation is problematic. Information is based on excerpts from TMA and ERC and estimates made from recent market visits in anticipation of liberalization of imports.

INDUSTRY VOLUME (BILLIONS) - 1990

Domestic	Total -	33.000 MM	
	Local Manufacture -	27.200 MM	
	Free/Parallel -	5.800 MM	(ERC estimates 11 billion. Field visits indicate this is inflated.)

MARKET SEGMENTATION (%)

International Brands -	11.8%
Domestic -	82.4%
Domestic (International Brand) -	5.8%

Price Levels and % Market Share -

International Brands	$1.10 per pack	(U.S.$ prices erode due to daily devaluation of the Colombian peso.)
Premium Domestic	$0.80 per pack	
Medium Domestic	$0.60 per pack	
Low Domestic	$0.40 per pack	

AVERAGE ANNUAL WAGE (1988) - $1,240

LOCAL MANUFACTURERS

There are two local cigarette manufacturers in Colombia. Both are privately owned. Colombiana de Tabacos (COLTABACOS) has an estimated share of 57% and its principal brands are IMPERIAL, DERBY, ROYAL & PIEL ROJA. Productora Tabacalera de Colombia S.A. (PROTABACO) has an estimated share of 25% and its principal brands are PRESIDENT and MUSTANG.

TOP BRANDS* FOR EACH SOURCE

	NAME	MANUFACTURER
LOCAL -	MUSTANG	PROTABACO
USIB -	MARLBORO	P.M. USA
PM -	MARLBORO	P.M. USA
BAT -	BELMONT	BIGOTT
B & W -	KOOL	B & W USA

SOUTH AMERICAN BENCHMARK

COUNTRY COLOMBIA

TOP 9 BRANDS*	NAME	MANUFACTURER	ESTIMATED RETAIL PRICE (20s)
1.	MUSTANG	PROTABACO (Local)	.60
2.	MARLBORO	P.M. (USA)	1.10
3.	PRESIDENT	PROTABACO (Local)	.50
4.	IMPERIAL	COLTABACO (Local)	.80
5.	DERBY	COLTABACO (Local)	.60
6.	ROYAL	COLTABACO (Local)	.70
7.	PIELROJA	COLTABACO (Local)	.40
8.	BELMONT	BIGOTT (Venezuela)	.80
9.	CAMPEON	COLTABACO (Local)	.40

*Note: Brands are listed in order of estimated market shares. Specific, reliable market share data not available.

DISTRIBUTION CHANNEL - Due to parallel market, situation is unknown.

GOVERNMENT

- % Excise Tax of average retail price: 56%
- List advertising or other legal restrictions:
  - Cigarette advertising is restricted on T.V. to one 30 second spot per channel per night to be aired after 11:00 P.M. Spots must have a message during 10 seconds of the duration stating that: "CIGARETTES ARE HARMFUL TO HEALTH" both in audio and video.
  - Cigarette packs must have a warning clause stating that "CIGARETTES ARE HARMFUL TO HEALTH" on side panel.
  - The city council of Bogota passed regulation prohibiting smoking in government offices, health centers, hospitals, libraries and schools.
  - Smoking in cinemas and on buses is prohibited.
  - Tobacco product health warnings must occupy at least 10% of the package surface.
  - All advertising must be cleared by the Ministry of Health.
  - Content of tobacco ads is restricted.
  - Tobacco advertisements on television may not depict smoking.
  - Tobacco advertisements on television may not employ minors as actors.
  - The Ministry of Health will regulate the times and frequency that cigarette ads may appear in cinemas and in broadcast media.

SOUTH AMERICAN BENCHMARK

COUNTRY COLOMBIA

COMPETITOR NAME - PHILIP MORRIS

Full Company Name - COMERCIALIZADORA ANDINA

Relationship to U.S. parent: P.M.'s Colombian based distributor is in charge of coordinating PM's local activities.

PRODUCTION FACILITIES - None

FINANCIAL ESTIMATES - Not Available

OWNERSHIP - % Owned by Parent - 0

MARKETING EXPENSES

Total Annual ($ U.S.) - $450,000
Index to B&W (Duty Free Spend) - 750

STRATEGY

Stated or apparent country strategy:

- P.M. has until very recently sold their products to MANSUR in Aruba and Panama F.Z. who in turn on-sell to their Colombian clients.
- MARLBORO is sold at full price while PARLIAMENT is price-positioned.
- It is reported that PM will initiate a Duty Paid operation through a local distributor, resulting from the lift of the ban on imports.
- In summary, PM capitalizes on Marlboro's demand in this market by ensuring that this top priority brand is in distribution. When PM's DP operation is initiated over the next two months, it will give them a basis to fully support Marlboro and their other brands.

List key marketing activities:

- Airport and outdoor advertising.
- Duty Free Airport shops advertising and promotions.

Other key activities:

- They are expected to initiate a full support campaign once their Duty Paid operation is initiated.

Attitudes to New Brands/Product Development:

Product Quality - Ex - U.S.

Importance to Parent:

The Colombia operation is highly profitable for P.M. in view of their full-price strategy for MARLBORO with its in-market sales volume estimated at approximately 3 billions per year.

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COMPETITOR NAME - R. J. REYNOLDS

Full Company Name: RJR at the present time does not participate in this market.

PARAGUAY

SOUTH AMERICAN BENCHMARK

COUNTRY PARAGUAY

INDUSTRY VOLUME (BILLIONS) - 1990

Domestic	Total -	3115.5 MM
	Local Manufacture -	1839.9 MM
	Duty Paid Imports -	1275.6 MM

Free/Parallel - There is currently a significant re-export volume to Argentina presently estimated to be 50 Millions a month.

MARKET SEGMENTATION (%)

International Brands -	40.9
Domestic -	59.1

Price Levels and % Market Share -

Premium	$0.76	20's	21.0%
Upper Prem.	$0.68	"	6.4%
Upper	$0.61	"	13.5%
Domestic Premium	$0.42	"	30.0%
Domestic Medium	$0.30	"	9.1%
Domestic Low	$0.28	"	20.0%

LOCAL MANUFACTURERS

There are two local cigarette manufacturers in Paraguay, both privately owned. LA VENCEDORA has an estimated share of 50% and its principal brands are CLAYTON, LA V, UNION CLUB and DENVER. TABACALERA BOQUERON has an estimated share of 8% and its principal brands are RICHMOND and BOQUERON.

TOP BRANDS FOR EACH SOURCE

	NAME	MARKET SHARE %	MANUFACTURER
Local -	CLAYTON	25.0	L A VENCEDORA
USIB -	LUCKY STRIKE	10.5	B & W USA
PM -	MARLBORO	10.4	P M USA
RJR -	YSL	0.5	RJR USA
B&W -	LUCKY STRIKE	10.5	B & W USA

TOP BRANDS	NAME	MARKET SHARE %	MANUFACTURER	ESTIMATED RETAIL PRICE (20's)
1.	CLAYTON KSFT	25.0	L A VENCEDORA(LOCAL)	.42
2.	LA V KSFT	13.0	L A VENCEDORA(LOCAL)	.30
3.	LUCKY STRIKE KSFT	10.5	B & W (U.S.A.)	.61
4.	MARLBORO KSFT	10.4	P M (U.S.A.)	.76
5.	KENT DLX 100's	6.1	B & W (U.S.A.)	.76
6.	RICHMOND KSFT	6.0	TABAC.BOQUERON(LOCAL)	.42
7.	UNION CLUB KSFT	5.0	L A VENCEDORA(LOCAL)	.30
8.	BENSON & HEDGES 100's	4.3	P M (U.S.A.)	.68
9.	KENT KSFT	3.5	B & W (U.S.A.)	.76
10.	DENVER KSFT	2.5	L A VENCEDORA(LOCAL)	.30

SOUTH AMERICAN BENCHMARK

COUNTRY PARAGUAY

PRICING (US $)

Average Annual Wage -	$2.619
Average Retail Price (20s) -	$ .52
Average Price B&W (20s) -	$ .72
Marlboro Price Index to Lucky Strike -	125
Average Retail (20s) Price Index to B&W Average (20s) -	72

GOVERNMENT

- % Excise Tax of average retail price: 10.8

- List advertising or other legal restrictions:

  . All T.V. ads have to be previously approved by the Ministry of Health, those approved cannot be aired before 19:00 hours.

  . Outdoor signs cannot be placed in areas surrounding hospitals or schools.

  . As of May 1991 all cigarette packs will bear the following warning clause: "Smoking Damages the Health."

  . No consumer promotions involving cash prizes or similar ones are allowed.

TARIFFS:	Import Duty	Additional Duty (percent ad valorem)	Complementary Duty
Cigarettes:			
Made from light tobacco	30	7.5	
Made from dark tobacco	50	15	24

TAXES - All tobacco imports are subject to a 36% exchange surcharge.

COMPETITOR NAME - PHILIP MORRIS

Full Company Name - LA GLORIA S.A.
Relationship to U.S. parent - Independent distributor of P.M.'s products ex USA

PRODUCTION FACILITIES - None

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PHILIP MORRIS (Continued)

FINANCIAL ESTIMATES - Not Available

OWNERSHIP - % Owned by Parent - 0

MARKETING EXPENSES

Total Annual ($ U.S.) - $1,800,000
Index to B&W - 210

STRATEGY

Stated or apparent country strategy:

- Marlboro is P.M.'s drive brand and their objective is to grow Marlboro to a leading USIB position. Marlboro is currently being given nationwide support to continue its growth in the premium price category, as well as countering LUCKY STRIKE'S inroads in the interior of the country.

- BENSON & HEDGES 100'S & LARK 100'S, positioned one price level below (e.g. -10%) KENT 100'S, are being given active support at the expense of the latter.

- Their business is growing principally believed to be due to the re-export of P.M.'s well-known brands MARLBORO, BENSON & HEDGES, L&M and CHESTERFIELD, into Argentina, representing approximately 40% of their total volume.

List key marketing activities:

- Heavy T.V. support of MARLBORO and BENSON & HEDGES.

- Investment in high visibility sports related activities such as soccer sponsored by MARLBORO. These activities have a broader popular appeal than the activities used in the past.

Other key activities:

- Heavy placement of outdoor and point of sale material.

Attitudes to New Brands/Product Development:

Product Quality - Product Ex - U.S.

Training - P.M.'s local distributor has their own salesmen and they also distribute through wholesalers.

Public Affairs - Very low level of involvement despite rapidly developing anti-smoking pressure.

Pricing - They have positioned their brands at U.S.I.B. levels.

Importance to Parent - It has become more important in the last 9 months due to the growing re-export volume into Argentina.

SOUTH AMERICAN BENCHMARK

COUNTRY PARAGUAY

COMPETITOR NAME - R. J. REYNOLDS

Full Company Name - MARPAR
Relationship to U.S. parent - Independent Importer/distributor of RJR brands.

PRODUCTION FACILITIES - None

FINANCIAL ESTIMATES - Not Available

OWNERSHIP - % Owned by Parent - 0

MARKETING EXPENSES

Total Annual ($ U.S.) - 70,000 (i.e., not including one-time brand launch expenditures)
Index to B&W - 8%

STRATEGY

Stated or apparent country strategy:

- RJR has until recently concentrated its effort on YSL which is mainly oriented to the tourist trade from Brazil and Argentina. RJR launched WINSTON in February 1991, priced at the same level as LUCKY STRIKE with significant support.

List key marketing activities:

- Launch of WINSTON in February with full media and promotional support, estimated at $150,000 for the first year (i.e., 1991).

Other key activities:

- Sales of YSL in the border city of Ciudad del Este are mainly oriented to Brazilian Tourists.

Attitudes to New Brands/Product Development:

Product Quality - Ex - U.S. product

Importance to Parent: - To date RJR's share in this market has been insignificant, but it would appear they are looking to establish Winston and grow volume through re-export to neighboring countries (e.g., Argentina and Brazil).

BOLIVIA

SOUTH AMERICAN BENCHMARK

COUNTRY BOLIVIA

Source: All information including narrative excerpted from TMA's International Tobacco Guide.

MACROECONOMICS (1988 data unless otherwise noted)

GDP/GNP: $4,025 million US$

GNP CHANGE (% over prior year): -3.2%

PER CAPITA ANNUAL INCOME: $570 US$

CONVERSION FACTIONS: (per US$)
1987 - 2.055
1988 - 2.350

CPI CHANGE (% over prior year): 16.0%

POPULATION: 6.99 million (2.8% growth)

GENDER: (1985) 49.4% male
50.6% female

SMOKING POPULATION:

Smoking Population (Potential)
Percent of Population: (1985) 53.8%
Number in Population (1985) 3,459,340

Per Capita Consumption of Cigarettes: (1985) 347

TARIFFS:

	Import Duty (percent CIF value)
Cigarettes:	
Made from dark tobacco	20
Made from light tobacco	20

Bolivian law requires the progressive reduction of tariffs on all goods to reach a level of 10% of CIF value by 1990.

Bolivia does not have any restrictions, quotas, or monopoly practices that restrict U.S. tobacco imports.

TAXES - Tobacco imports pay 17% net value as an import tax. This tax is similar to that applicable to any other commodity imported into Bolivia. Importation of tobacco has to be made through a registered tobacco company in the country since a special sales tax is charged to tobacco products and alcoholic beverages.

SOUTH AMERICAN BENCHMARK

COUNTRY BOLIVIA

PUBLIC POLICY ON TOBACCO

- Smoking is restricted in indoor public places.
- Smoking is banned in health care facilities.
- Smoking is banned in schools.
- Smoking is banned on public transportation vehicles.
- All tobacco product packages must carry the following warning: "This product is harmful to your health."
- The Health Education Division supervises and licenses tobacco advertising over mass communications media "in order to prevent the indiscriminate promotion of tobacco consumption."
- Tobacco advertisements may only refer to the "quality, origin, and purity of the product." The depiction or suggestion of people inhaling or exhaling smoke is prohibited. Pictorial or theme advertising is prohibited.
- Advertisements for tobacco products are prohibited from associating the tobacco product with "sporting, domestic, or occupational activities."
- Tobacco companies are prohibited from employing child adolescents, and pregnant women in tobacco advertisements.
- Tobacco advertisements may not appear on television before 9pm.

MAJOR CIGARETTE MANUFACTURER MARKET SHARES IN BOLIVIA
(%)

COMPANY	COMPANY ABBREV.	PARENT COMPANY	1984	1985	1986	1987	1988
Bolivia American Tobacco	BO	BAT	26.90	16.50	13.50	13.20	8.00
Compania Industrial de Tabacos	IT	PM	73.10	83.50	86.50	86.80	92.00

CIGARETTE BRAND MARKET SHARES IN BOLIVIA
(%)

BRAND	COMPANY ABBREV.	1984	1985	1986	1987	1988
Astoria	IT	20.00	15.30	15.70	17.30	17.30
Big Ben	BO	6.40	7.60	5.60	5.30	5.50
Casino	IT	33.60	26.30	19.30	19.80	16.80
Colorado	BO	7.20	7.30	6.70	6.90	2.50
Derby	IT	8.10	7.40	3.90	3.00	4.10
L and M	IT	13.20	30.70	47.60	46.80	47.60
Marlboro	BO	.50	.90	.80	.80	4.00
Pacific	IT	2.90	1.50	.10	NA	NA

ECUADOR

SOUTH AMERICAN BENCHMARK

COUNTRY ECUADOR

Source: All information including narrative excerpted from TMA's International Tobacco Guide.

MACROECONOMICS (1988 data unless otherwise noted)

GDP/GNP: $9,587 million US$

GNP CHANGE (% over prior year): - 1.3%

PER CAPITAL ANNUAL INCOME: $1,080 US$

CONVERSION FACTORS: (per US$)
1987 - 170,462
1988 - 301,611

CPI CHANGE (% over prior year): 58.6%

POPULATION: 10.20 million (3% growth)

GENDER: (1984) 50.3% male
49.7% female

SMOKING POPULATION:

Smoking population (potential) in Ecuador:

Percent of Population: (1984) 54.2%
Number in Population: (1984) 4,937,620

Per Capita Consumption of Cigarettes in Ecuador: (1984) 952

TARIFFS:

	Import Duty (Percent ad valorem)
Cigarettes	90

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SOUTH AMERICAN BENCHMARK

COUNTRY ECUADOR

PUBLIC POLICY ON TOBACCO:

- Sale of tobacco products to children under 18 is prohibited.
- Smoking is prohibited on all domestic flights.
- The following health warning must appear on all cigarette packs: "Warning - cigarette smoking is dangerous for your health. Ministry of Public Health of Ecuador."
- The health warning must appear in indelible letters in the outside of cigarette packets, cartons and cases.
- No tobacco advertising at or near schools or colleges.
- Advertisements may not depict cigarettes as a means of achieving concentration, efficiency or success.
- No use of children in tobacco ads.
- No use of child celebrities, or their films, posters, or recordings, for the promotion of cigarettes. No use of historical or famous people, dead or alive, in tobacco advertising.
- The following must appear in all print ads for tobacco products: "Warning - cigarette smoking is dangerous for your health. Ministry of Public Health of Ecuador."
- Average 'tar' and nicotine levels must appear in all print ads for tobacco products.
- No tobacco advertising on television before 19.30 or during programs directed at children.
- No tobacco advertising on radio during programs directed to children.
- No cigarette advertising in comic books and comic supplements.
- Cigarette manufacturers must submit a quarterly report to the General Directorate of Health regarding the average 'tar' and nicotine levels in their respective cigarette brands, expressed in milligrams per cigarette.

GUYANA

SOUTH AMERICAN BENCHMARK

COUNTRY GUYANA

Source: All information including narrative excerpted from IMA's International Tobacco Guide.

MACROECONOMICS (1988 data unless otherwise noted)

GDP/GNP: $316 million US$

GNP CHANGE (% over prior year): 27.9%

PER CAPITA ANNUAL INCOME: $410 US$

CONVERSION FACTORS: (per US$)
1987 = 9.756
1988 = 10.000

CPI CHANGE (% over prior year): 40.0%

POPULATION: 1.01 million (2% growth)

GENDER: (1980) 49.5% male
50.5% female

SMOKING POPULATION:

Percent of Population: (1980) 55.3%
Number in Population: (1980) 481,110
Per Capita Consumption of Cigarettes: (1980) 1,195

TARIFFS:	Import Duty (dollars per kg)
Cigarettes	47.88

TAXES - A consumption tax of 67 Guyana dollars per kilogram is imposed on manufactured tobacco, cigars and cigarettes.

LOCAL TOBACCO MANUFACTURER

Demerara Tobacco Co., Ltd.

PERU

SOUTH AMERICAN BENCHMARK

COUNTRY PERU

Source: All information, including narrative, excerpted from ERC.

OVERVIEW

Peru has a population of around 21.5 million, growing at over 2% per year.

Per capita consumption of manufactured cigarettes is very low by Latin American standards, ranging between 148 and 182 pieces/year in the 1984-1990 period. The market has fluctuated with the economy and after declining since 1986, prospects are now looking up as the new government liberalizes the economy.

There are four manufacturers active in Peru, three private and one state owned, but up for privatisation. Tabacalera, a RJ Reynolds licensee and the state-owned Empresa Nacional del Tabaco are the largest. RJR's Winston brand has a solid base in the market.

MARKET SIZE

The market has declined since 1985 as income has been squeezed under high inflation.

PER CAPITA CONSUMPTION, 1986 - 1990
PIECES/YEAR

1986	188
1987	166
1988e	148
1989e	156
1990e	162

Total cigarette consumption is estimated to have fallen back to around 1985 levels before recovering a little in 1989 and 1990.

CIGARETTE CONSUMPTION, 1989 - 1990
Million Pieces

1989e	3,350
1990e	3,550

MANUFACTURERS & BRANDS

There are four manufacturers active in the Peruvian market, three are private and the fourth, the former state monopoly, is still state-owned but is scheduled for privatisation.

SOUTH AMERICAN BENCHMARK

COUNTRY PERU

Empresa Nacional del Tabaco (ENATA) SA is the former state monopoly. Its brands include Inca, Nacional, Imperio, Presidente, Latino and Chalanes. As part of the Peruvian government's privatisation program, it is planning to sell shares in Nacional del Tabaco to one of the largest cigarette producers in the country.

Tabacalera Nacional is a licensee of R.J. Reynolds and markets Premier, the leading brand and also RJR's Winston brand, which it has been marketing in Peru for many years. Winston Lights were launched in 1985. Tabacalera Nacional also markets Hamilton Lights, launched in 1984. RJR's Salem brand is also sold.

The other manufacturers are Tabacalera Americana SA and Tabacalera Valor SA.

The most recent brand shares available relate to 1982, when Premier had just under 30%, Ducal 27% and Winston marginally over 20%, these three brands dominating the market at the time.

ADVERTISING

The sole restriction enforced on tobacco advertising in Peru is the compulsory health warning "Smoking can damage your health", which must be displayed on cigarette packets. Advertising campaigns can involve large spends, especially for new products upon which marketers have pinned high hopes; an example is the US.$ 200,000 media advertising campaign for the launch of the Winston Lights brand in 1986, through the J. Walter Thompson Co. Tabacalera Nacional's light blend brand, Hamilton Lights, was launched with a large-scale television, radio and print campaign via Publisistas Asociados, BBDO, Peru.

TAXATION

All tobacco products in Peru are liable for a general sales tax of 16%, and a stamp tax calculated as a percentage of the retail price. Import duty on cigarettes was set at 50% in October 1990. In addition to this, an import surcharge of 10%, applicable to all imports, is payable.

PRODUCTION

CIGARETTE PRODUCTION, 1986 - 1990

	MILLION PIECES
1986	3,741
1987	3,402
1988e	3,150
1989e	3,300
1990e	3,500

COUNTRY PERU

IMPORTS

Imports of cigarettes has not been significant in the Peruvian market, however, in 1986 import volumes shot up by 467% to 51 million pieces, to represent 1.3% of consumption, a significant increase.

In October 1990, the Peruvian government announced the abolition of all import restrictions. Furthermore, the complex import duty tariff was replaced by three standard rates of 15, 25 and 50%. The rate for cigarettes has been set at 50%. All previous import surcharges were replaced with a single rate of 10%, also applicable to cigarettes. This may induce some increase in imports as the economy is opening up but imported cigarettes would still be very expensive compared to domestically produced cigarettes.

FORECASTS

Privatisation of the state cigarette manufacturing company is scheduled providing an entry opportunity and with four companies competing, the market will continue to be competitive.

CONSUMPTION FORECASTS, 1989 - 1995

MILLION PIECES

1989	3,350
1990	3,550
1991	3,650
1992	3,750
1993	3,700
1994	3,500
1995	3,300

URUGUAY

SOUTH AMERICAN BENCHMARK

COUNTRY URUGUAY

Source: All information, including narrative, excerpted from ERC.

OVERVIEW

The Uruguayan market is contested by two manufacturers, La Republicana Compania Industrial de Tobacco Monte Paz, which has 80% of the market and Abal Hnos, a Philip Morris subsidiary. Monte Paz's Nevada and Coronado brands lead the market, accounting for over half the demand, with Abal Hnos' Casino in third place.

Import penetration is low but exports have become more significant in 1988 and 1989 accounting for over 1.2% of domestic production.

MARKET SIZE

Since 1987 sales have picked up again rising by 1.8% in 1988 and a further 2.5% in 1989. This trend has continued into 1990 and sales for the year are expected to be 2.5% higher again.

Per capita consumption has fallen from 1,033 pieces/year in 1984 to 919 pieces/year in 1989.

PER CAPITA CIGARETTE CONSUMPTION, 1986-1990

	PIECES/YEAR
1986	927
1987	891
1988	902
1989	919
1990e	935

Total consumption of cigarettes in 1989 stood at 2,830 million pieces, 8.4% down on 1984 levels.

CIGARETTE CONSUMPTION, 1989 - 1990

	MILLION PIECES
1989	2,830
1990e	2,900

MANUFACTURERS & BRANDS

There are just two manufacturers supplying the Uruguayan market, the largest being La Republicana Compania Industrial de Tobacos Monte Paz, which holds around 80% of the market. Its only rival is Abal Hnos, a subsidiary of Philip Morris International, which holds some 20% of the market.

COUNTRY URUGUAY

The Nevada brand, an 80mm filter cigarette from Monte Paz, has been the leading cigarette brand in Uruguay throughout the 1980s. It lost share in the early years of the decade, falling from 37.4% in 1982 to 27.5% in 1984 but since then has progressively regained share to take 35.6% of the market in 1989. The Coronado brand, also from Monte Paz, has been consistently the second best selling brand and although it too lost share early in the 1980s falling from around a quarter of the market in 1982 to 14.4% in 1985, it has since stemmed decline and recovered to hold 15.6% of the market in 1988 and 1989. Coronado is also an 80mm filter cigarette.

Abal Hnos' leading brand is Casino, which was first introduced in 1983 and has since consistently held third place in the market. Casino had 18.3% of the market in 1984 but its share has fallen steadily, declining to 10.7% in 1989. Other brands marketed by Abal Hnos are Marlboro, which has only around 2% of the Uruguayan market, Galaxy, which has 3-4% and Fiesta Lights which has around 3%.

Monte Paz's other brands include La Paz Extra, which was the fourth best-selling brand in 1984, and again in 1987, although its share had declined from 5.1% to 3.4% in the interim. Other brands are J & M which held fourth position in 1985 and 1986 but which had since lost ground, while in 1988 and 1989 JM Lights has come to the fore holding fourth place, its share edging up to 4.3% in 1989.

TOP SELLING CIGARETTE BRANDS, 1988 - 1989

	% OF MARKET	
	1988	1989
Nevada	34.9	35.6
Coronado	15.6	15.6
Casino	11.0	10.7
La Paz Extra	*	*
J & M	*	*
JM Lights	4.2	4.3
All Other Brands	34.3	33.8
TOTAL	100.0	100.0

*Included in others

ADVERTISING

Since the beginning of 1983, all packets of cigarettes sold in Uruguay have been required to bear a clear and legible warning that smoking is injurious to health. The same warning must also be carried on all printed advertising and publicity matter. There are no restrictions on which media may carry tobacco advertising - although on the radio a health warning must be interpolated on each occasion after the brand name has been mentioned five times in succession; on television this warning must appear in clear and legible print while the advertisement is being transmitted and long enough for viewers to be able to read it.

SOUTH AMERICAN BENCHMARK

COUNTRY URUGUAY

THE SMOKING POPULATION

The latest trade estimates suggest smokers are about 27.6% of the total population. The smoking population is fairly evenly divided between men and women, the ratio in 1987 being estimated at 53% men, 47% women.

RETAIL PRICES

In 1988, the average price per pack was equivalent to 70 U.S. cents, and around 70% of cigarettes were commercialized at around this price.

TAXATION

Value added tax on cigarettes is applied at the basic rate of 20%, levied on the duty-paid value. Import duty on cigarettes of all types totals 25% made up of a 10% import surcharge, a 4% consul tax, a 5% import duty and 1% bulk tax. No restrictions are imposed on the remittance of foreign exchange for authorized imports.

PRODUCTION

The Uruguayan market is almost entirely served by domestic production.

IMPORTS

Imports play an almost negligible role in the Uruguayan market typically accounting for only 0.25% of the market. The volume of imports has grown since 1984 reaching almost 17 million in 1987 but dropping to just over 7 million in 1988.

EXPORTS

Exports are primarily destined for neighboring Latin American countries. Argentina has been a more consistent market but Bolivia, Chile and Paraguay were more significant in 1986, when exports were high.

FORECASTS

No dramatic changes in the market are expected but a steady growth in lighter cigarettes is expected.

CONSUMPTION FORECASTS, 1989 - 1985
MILLION PIECES

1989	2,830
1990	2,900
1991	2,970
1992	3,030
1993	3,080
1994	3,130
1995	3,175